



(For the convenience of readers, the meeting handbook has been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language shall prevail.)

San Fang Chemical 2024 Annual Shareholders' Meeting Minutes (Summary Translation)

Date and Time : June 19, 2024 at 9:00 a.m.

Location : Han-Hsien International Hotel

(No. 33, Sihwei 3rd Road Kaohsiung City, Taiwan)

Method : Physical Shareholders' meeting

Total outstanding shares of the Company : 397,818,126 shares.

Total shares represented by Shareholders' presented in person or by proxy :
332,258,879 shares.

Percentage of shares held by Shareholders' present in person or by proxy :
83.52%

Chairperson : Mun-Jin Lin , the chairman of the Board of Directors

Recorder : Wei-Ju Chen

Directors present : Mun-Jin Lin (Chairperson), Chin-Chu Lu (Director), Chia-Hui Teng (Director), Li-Syuan Lin (Independent Director and Audit Committee Convener), Chih-Lung Chou (Independent Director and Remuneration Committee Convener)

Attendees : Teng-Wei Wang (CPA), Yi-Chen Wang (Lawyer)

As the aggregate shareholding of the shareholders present in person or by proxy constituted a quorum, the chairperson called the meeting to order.

A.Chairperson Remarks : (Omitted)

B.Reported Matters

I.To report the business of 2023.

II.Audit Committee' s review of 2023 audited Financial Statements.

III.To report on the 2023 Distribution of Employees' Compensation and Directors' Remuneration.

IV.To report 2023 earnings distribution in cash dividends.



C.Ratification Items

Proposal I

Submitted by the board of directors

Summary : 2023 Business Report and Financial Statements for ratification.

Explanations :

The Company's 2023 business report and the 2023 financial statements (including consolidated and parent company only balance sheet, comprehensive income statement, statement of changes in equity, and statement of cash flows) audited and verified by CPA Wu, Chiu-Yen and CPA Liu, Yu-Hsiang, please refer to the operating and financial reports (please refer to Appendix 1 of this 2024 Annual Shareholders' Meeting Minutes), all of which have been reviewed and approved by the Company's Audit Committee and a review report has been issued.

Voting Results : Shares represented at the time of voting: 332,258,879 votes

Voting results	% of the total represented share present
Votes in favor : 322,277,183 votes	96.99%
Votes against : 56,212 votes	0.01%
Votes invalid : 0 votes	0%
Votes abstained /no votes : 9,925,484 votes	2.98%

* including votes casted electronically (numbers in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.



Proposal II

Submitted by the board of directors

Summary : Please ratify the 2023 earnings distribution proposal.

Explanations :

- (1) The Company's 2023 earnings distribution has been reviewed and approved by the 13th meeting of the 2nd Audit Committee, for ratification by the shareholders' meeting.
- (2) The Company's 2023 earnings distribution table (please refer to Appendix 2 of this 2024 Annual Shareholders' Meeting Minutes).

Voting Results : Shares represented at the time of voting: 332,258,879 votes

Voting results	% of the total represented share present %
Votes in favor : 322,371,184 votes	97.02%
Votes against : 56,212 votes	0.01%
Votes invalid : 0 votes	0%
Votes abstained /no votes : 9,831,483 votes	2.95%

* including votes casted electronically (numbers in brackets)

RESOLVED, that the above proposal be and hereby was approved as proposed.



D.Election Matters

Summary: The 18th board of directors reshuffle.

Submitted by the board of directors

Explanations :

- (1) The term of office of the Company's 17th Board of Directors will expire on August 17, 2024, and it is planned to hold a full re-election at the 2024 shareholders' meeting.
- (2) According to the Company's Articles of Incorporation, the Company shall have five to nine directors, of which the number of independent directors shall not be less than three persons and shall not be less than one-fifth of the board of directors. It is proposed that seven directors (including three independent directors) be elected for a term of three years. The new directors (including independent directors) will be inaugurated immediately after the re-election at the general shareholders' meeting, with a term of office from June 19, 2024 to June 18, 2027, the incumbent directors are dismissed after the re-election.
- (3) Reasons for nomination for independent directors who have served three terms:
As an independent director of the Company, Mr. Li-Syuan Lin prudently evaluated various finance, audit and other proposals and the Company's internal control, and provided appropriate suggestions and guidance for the Company's operational finance and exchange rate risk control. It is hoped to draw on the expertise of Li-Syuan Lin for his continuous supervision on the Company's operations and to provide guidance on financial risk management.
- (4) The Company adopts a candidate nomination system for directors, and the shareholders' meeting elects directors from the list of director candidates. Independent directors and non-independent directors shall be elected together, and the elected seats shall be counted separately.
- (5) There are a total of 7 candidates for directors, and the list is as follows:



San Fang Chemical Industry Co., Ltd.

List of candidates for directors (including independent directors)

Job Title	Name	Gender	Number of shares held (share)	Major education and experience
Director	San Fang Investment Enterprise Co., Ltd. Representative: Mun-Jin Lin	Male	1,143,574	1.Chairman of San Fang Chemical Industry Co., Ltd. Education: Doctor of Management, National Sun Yat-Sen University Master's Degree, Johns Hopkins University
Director	POU CHIEN TECHNOLOGY CO., LTD. Representative: Chin-Chu Lu	Male	36,549,118	1.Director of San Fang Chemical Industry Co., Ltd. 2.Chairman of the Board and Executive Director, Yue Yuen Industrial (Holdings) Ltd. 3.Director and President of Pou Chen Corporation Academic degree: Master of Business Administration, National Chung Hsing University
Director	POU CHIEN TECHNOLOGY CO., LTD. Representative: Yuan-Huang Liao	Male		1.Director of San Fang Chemical Industry Co., Ltd. 2.Executive Assistant Vice President of Pou Chen Corporation 3.Director of NAN PAO RESINS CHEMICAL CO., LTD. 4.Director, Prosperous Industrial (Holdings) Limited Education: Master's degree, University of Cambridge, UK
Director	POU CHIEN TECHNOLOGY CO., LTD. Representative: Chia-Hui, Teng	Male		1.Director of San Fang Chemical Industry Co., Ltd. 2.Chairman of TAH KONG CHEMICAL INDUSTRIAL CORP. 3.Chairman of TKC Global Investment Corp. 4.Director of Jiahui Investment Co., Ltd. Education: Master of Accounting, New York University, USA



San Fang Chemical Industry Co., Ltd.

List of candidates for directors (including independent directors)

Job Title	Name	Gender	Number of shares held (share)	Major education and experience
Independent Director	Li-Syuan Lin	Male	0	1. Independent director of San Fang Chemical Industrial Co., Ltd. 2. President of King's Town Bank 3. Vice President, Chase Bank 4. Vice President, Administration Department, SAMPO CORPORATION 5. Executive Director of Acosta Ventures (BVI) Limited 6. Independent Director of FONG CHIEN CONSTRUCTION CO., LTD. Education: Master's degree, California State University
Independent Director	Chih-Lung Chou	Male	0	1. Certified Public Accountant of Wushi Accounting Firm 2. Independent Director and Remuneration Committee Member of SAN FANG CHEMICAL INDUSTRY CO., LTD. 3. Supervisor of St. Shine Optical Co., Ltd. Academic degree: Master of Financial Management, Kaohsiung First University of Science and Technology
Independent Director	Yi-Ching Lin	Female	0	1. Practicing Accountant of Jing Cheng Accounting Firm 2. Independent Director of Control Technology Co., Ltd 3. Independent Director of CHANG WAH TECHNOLOGY CO., LTD 4. Independent Director of SUN RISE E&T CORPORATION 5. Independent Director of Revivegen Co., Ltd. Education: Bachelor, Department of Accounting, Tunghai University



Results of the election :

The Directors (including independent Directors) with votes received was as followed :

Title	Received Votes Director		Received Votes
	ID Number	Name	
Director	88561	San Fang Investment Enterprise Co., Ltd. Representative: Mun-Jin Lin	501,709,563
Director	78471	POU CHIEN TECHNOLOGY CO., LTD. Representative: Chin-Chu Lu	408,020,008
Director	78471	POU CHIEN TECHNOLOGY CO., LTD. Representative: Yuan-Huang Liao	340,746,998
Director	78471	POU CHIEN TECHNOLOGY CO., LTD. Representative: Chia-Hui Teng	331,493,845
Independent director	R102990000	Li-Syuan Lin	244,862,765
Independent director	E121250000	Chih-Lung Chou	227,248,090
Independent director	S220400000	Yi-Ching Lin	200,767,216

E. Extemporary Motions: None

There were no inquiries from the shareholders.

F. Adjournment Time: The meeting was adjourned at 9:46 a.m.



Appendix 1

San Fang Chemical Industry Co., Ltd. 2023 Business Report



I. Foreword

Looking back on 2023, the slowdown in the U.S. economy, China's weak economy, and cautious consumer spending due to inflation; the global economy was hampered by sluggish end market demand and industrial inventory adjustment, which slowed economic growth; and major brands were affected by the declining consumption power of the Chinese market. As well as high inventory pressure, it is planned to reduce the types of key product lines to control costs, and the orders in the artificial leather market show a declining trend.

Under various challenges, the Company strictly controlled operating costs, adjusted product strategies rapidly with the market, and actively discussed with customers on countermeasures to respond to market changes. Through diverse productions niche adjustment responding to the short and urgent order request of customers and jointly develop and create values with customers. The Company strives to reduce the impact of the operating environment on operations and business, responds prudently in all aspects, implements future development strategies at a steady pace, and benefits from the maintenance of raw material costs, which has contributed to the outstanding performance of the Company's overall operating results and profits. In 2023, the Company generated a consolidated net income of NTD 760 million, the net profit margin was 7.5%, and the earnings per share was NTD 1.91.

II. Financial performance

I. Sales

Consolidated sales of synthetic leather were NTD 9.558 billion, a decrease of approximately 6% from 2022; consolidated sales of films were NTD 332 million, a decrease of 13% from 2022; consolidated sales of fibers were NTD 195 million, an increase of 13% from 2022. The consolidated sales of fiber were NTD 195 million, an increase of 13% from 2022. The consolidated self-made raw materials were NTD 200 million. The consolidated operating revenue in 2023 was NTD 10.087 billion.

II. Profits

The Company's standalone operating revenue of 2023 was NTD 7.587 billion, a



decrease of 15.2% from 2022; the consolidated operating revenue was NTD 1.0087 billion, a decrease of 6.3% from 2022; the consolidated net income was NTD 987 million, an increase of 236.5% from 2022; consolidated net income after tax was NTD 760 million, an increase of 61.7% compared to 2022.

III. Outlook and business objectives

With the popularization of technology and healthy lifestyle, international brands actively promote various sports, expand the sports population and skillfully combine fashion and innovation to keep the market scale of the footwear industry growing steadily. The Company develops professional items and makes market-differentiated products towards high-value and niche products, in order to enhance the competitive advantage and maintain orders. Apart from actively invest in shoe market development, steps were taken to accelerate the non-shoe business product developments and enlarge the market share, such as garment films, sports products, vehicle eco-friendly interior materials markets development. We will actively explore new customer sources and strive to diversify the customer structure to increase business activities.

Description of the 2024 business plan:

- 1.Strengthen manpower development: establish KM knowledge management, strengthen experience transfer and accumulation of knowledge and technology, and multi-specialty training, to cultivate compound talents; actively cultivate the new generation of overseas cadres, establish local management mindset, improve communication efficiency and employee cohesion, and create sustainable operations advantage.
- 2.Production digital upgrade: Accelerate the promotion of technology application and process transformation, introduce machine AI data management and data analysis, add automated quality monitoring equipment to automatically interpret abnormal feedback, continue to implement equipment automation and standardize the operation of various stages of the project, to avoid quality differences, increase product yield and per capita production value, in order to reduce production costs, and exert personnel and resource benefits.
- 3.Niches for capacity expansion: In line with the growth momentum of the brand, the Company's second phase of the construction of the Indonesian plant is expected to be completed in 2024. Through capacity planning and transfer of technology and experience, the output efficiency of the Indonesian plant can be improved to meet the order volume of international customers in Europe and the United States. To meet the demand for growth, and establish a flexible production mechanism among overseas factories.



4. Accelerate the promotion and marketing: In 2024, we promote the automotive materials market in overseas area and actively expanded overseas markets with local services and integration of local resources. Brand development and interaction, and establishment of differentiated service advantages, in order to obtain the first opportunity.

Looking forward to 2024, as the application of films in shoe materials gradually matures, the film is actively promoted to non-shoe material markets. It is expected that as customers' trial production is recognized by the market, it is expected that it will become SFC's core product and drive another wave of growth momentum. The Company enters the new era of environmental protection and the high-end application market by providing materials with high value, highly recycled content, and rapid market response.

We are firmly convinced that all staff members will do their utmost to ensure achievement of the domestic and consolidated revenue goals set for 2024, spurred by the encouragement and close supervision by all our shareholders.

Chairman :



Manager :



Chief Accountant :





Independent Auditor's Report

To San Fang Chemical Industry Co., Ltd.:

Audit Opinion

We have audited the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, and consolidated notes to financial statements (including a summary of major accounting policies) of San Fang Chemical Industry Co., Ltd. and its subsidiaries (San Fang Group) for the years ended December 31, 2023 and 2022.

In our opinion, the consolidated financial statements above were prepared, in all material aspects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, and explanations/interpretations approved and announced by FSC, and therefore are sufficient to present the financial position of the San Fang Group as at December 31, 2023 and 2022, as well as its consolidated financial performance and consolidated cash flow for the years ended December 31, 2023 and 2022.

Basis of Audit Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. We will further explain our responsibilities under the regulations in the section on the independent auditor's responsibilities relating to consolidated financial statements. Personnel of our firm who are required to maintain independence according to the Code of Professional Ethics have maintained independence from the San Fang Group, and also fulfill other responsibilities set forth by the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are the most important matters in the 2023 consolidated financial statements of the San Fang Group determined based on our professional judgment. We have already responded to the matters in the process of auditing the consolidated financial statements and forming an audit opinion, and will not express opinions on individual matters.

Key audit matters in the 2023 consolidated financial statements of the San Fang Group are as follows:



Authenticity of sales revenue

The main source of revenue of San Fang Chemical Industry Group is the sales of artificial leather products and the sales revenue from specific customers had increased significantly compared with the previous year. Therefore, according to the provisions of the Statement of Auditing Standards on presetting revenue as a significant risk, the authenticity of sales revenue from such specific customers was thus listed as a key audit matter.

We have carried out the following audit procedures in response to the specific aspect described in Key Audit Matters above, including:

- I. Understanding and testing internal controls related to the authenticity of revenue recognition, including whether or not purchase order and delivery related internal controls are effective, and if sales revenue is recognized accordingly.
- II. Obtain detailed information on sales revenue of a specific customer, select appropriate samples, check shipping documents or attached customs clearance documents, etc., and check whether the amount and object of payment are consistent with the object of sales to confirm that the revenue has actually occurred.

Other Matters

San Fang Chemical Industry Co., Ltd. has prepared standalone financial statements for the years 2023 and 2022, on which we have issued an audit report containing an unqualified opinion for reference.

Management and the Governance Department's Responsibility for the Consolidated Financial Statements

The responsibility of management is to prepare fairly presented consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, and explanations/interpretations approved and announced by FSC, and to maintain necessary internal controls related to the preparation of consolidated financial statements, in order to ensure that the consolidated financial statements are free of material misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, it is also the responsibility of management to evaluate the San Fang Group's ability to continue as a going concern, disclosures, and going concern basis of accounting, unless management intends to liquidate or permanently shut down the San Fang Group, or there are no feasible options other than liquidation or termination.

The governance department (including Audit Committee) of the San Fang Group is responsible for supervising the financial reporting process.



The Independent Auditor's Responsibility when Auditing the Consolidated Financial Statements

The purpose for auditing the consolidated financial statements is to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to fraud or error, and to issue an audit report. Reasonable assurance means high level of assurance. However, audits conducted according to auditing standards do not guarantee the detection of material misstatements in the consolidated financial statements. Material misstatements may be due to fraud or error. A misstatement is deemed material if the individual amount or total amount can be reasonably expected to affect the economic decision made by users of the consolidated financial statements.

We utilized our professional judgment and professional skepticism during the audit according to auditing standards. We also performed the following work:

- I. Identified and evaluated material misstatements in the consolidated financial statements, whether due to fraud or error. Designed and implemented appropriate countermeasures for the risks that we evaluated. Obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion. Since fraud may involve conspiracy, falsification, intentional omission, false statements, or overriding internal controls, the risk of failing to detect material misstatements due to fraud is higher than the risk of failing to detect material misstatements due to error.
- II. Designed appropriate audit procedures to gain necessary understanding of internal controls for the audit. However, the purpose is not to express any opinions on the effectiveness of the San Fang Group's internal controls.
- III. Evaluated the appropriateness of management policies adopted by management, as well as the reasonableness of accounting estimates and related disclosures.
- IV. Based on the audit evidence we obtained, we reached a conclusion on the appropriateness of management's going concern basis of accounting, and whether or not there are material uncertainties that will lead to events or situations that are cause for serious concern about the San Fang Group's ability to continue as a going concern. If we believe there are material uncertainties about such events or situations, we are required to provide a reminder in the audit report for users of the consolidated financial statements to pay attention to related disclosures, or modify our audit opinion when the disclosures are inappropriate. Our conclusion is based on the audit evidence we obtained as of the audit report date. However, future events or situations may cause the San Fang Group to no longer be able to continue as a going concern.



- V. Evaluated the overall presentation, structure, and contents of the consolidated financial statements (including related notes), and whether or not the consolidated financial statements fairly present related transactions and events.
- VI. Obtained sufficient and appropriate audit evidence of financial information on companies in the group, and expressed our opinion on the consolidated financial statements. We are responsible for guidance, supervision, and implementation of the audit, and for forming an audit opinion on the San Fang Group.

Matters we communicated with the governance department include the scope and time of the audit, as well as major findings in the audit (including significant deficiencies in internal control identified in the audit process).

We also provided the governance department with a statement that personnel of our firm who are required to maintain independence according to the Code of Professional Ethics have maintained independence, and communicated all relationships and other matters (including related preventive measures) that may affect the independence of auditors with the governance department.

Among the matters we communicated with the governance department, we decided on key audit matters in the 2023 consolidated financial statements of the San Fang Group. The matters are described in the audit report, unless they are specifically prohibited by law from being disclosed, or, under extremely rare circumstances, we decided not to disclose the matters in the audit report because the negative impact can reasonably be expected to be greater than the public benefit it will provide.

Deloitte Taiwan

CPA Chiu-Yen Wu

CPA Yu-Hsiang Liu

Securities and Futures Commission

Approval No.

Tai-Cai-Zheng(6)-Zi No. 0920123784

Financial Supervisory Commission Approval

No.

Jin-Guan-Zheng-Shen-Zi No. 1050024633

March 6, 2024



San Fang Chemical Industry Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31, 2023 and 2022

		December 31, 2023		December 31, 2022	
		Amount		Amount	
		%		%	
Code	Assets				
Unit: Thousand NTD					
Current assets					
1100	Cash and cash equivalents (Note 4 and 6)	\$ 4,765,044	31	\$ 4,830,365	31
1110	Current financial assets at fair value through profit or loss (Note 4 and 7)	100,589	1	94,324	1
1150	Notes receivable (Note 4 and 9)	24,507	-	14,387	-
1170	Net accounts receivable (Note 4 and 9)	1,000,724	6	1,089,221	7
1180	Accounts receivable – related parties (Note 4, 9 and 27)	295,079	2	273,712	2
1200	Other receivables (Note 4)	138,124	1	45,744	-
1220	Current income tax assets (Note 23)	15,201	-	61,392	1
130X	Inventories (Note 4, 5 and 10)	1,614,941	10	2,103,091	14
1410	Advance payments	154,562	1	206,217	1
1476	Other financial assets – current (Note 11 and 28)	1,123,678	7	337,810	2
1479	Other current assets	34,650	-	25,468	-
11XX	Total current assets	9,267,099	59	9,081,731	59
Non-current assets					
1517	Financial assets at fair value through other comprehensive income (Note 4 and 8)	119,687	1	75,175	-
1600	Property, plant and equipment (Note 4, 13 and 28)	5,150,904	33	4,886,692	32
1755	Right-of-use assets (Note 4 and 14)	159,703	1	159,085	1
1760	Investment properties (Note 4, 15 and 28)	109,189	1	110,056	1
1801	Other intangible assets (Note 4)	29,153	-	17,880	-
1805	Goodwill (Note 4)	35,759	-	35,759	-
1840	Deferred income tax assets (Note 4, 5 and 23)	94,242	1	81,587	1
1915	Advance payments for land and equipment (Note 13)	28,284	-	327,426	2
1920	Refundable deposits	26,238	-	26,408	-
1980	Other financial assets – noncurrent (Note 11)	604,889	4	595,350	4
1990	Other non-current assets	5,824	-	2,901	-
15XX	Total non-current assets	6,363,872	41	6,318,319	41
1XXX	Total assets	\$ 15,630,971	100	\$ 15,400,050	100
Liabilities and equity interests					
Current liabilities					
2100	Short-term borrowing (Note 16 and 28)	\$ 1,490,000	10	\$ 1,540,000	10
2110	Short-term notes and bills payable (Note 16)	49,967	-	-	-
2130	Current contract liabilities (Note 4 and 21)	13,776	-	5,574	-
2170	Accounts payable (Note 17)	377,049	2	493,322	3
2219	Other payables (Note 18)	830,216	5	736,627	5
2230	Current income tax liabilities (Note 23)	206,812	1	132,214	1
2280	Current lease liabilities (Note 4 and 14)	7,099	-	5,060	-
2320	Current portion of long-term liabilities (Note 16 and 28)	747,500	5	929,000	6
2399	Other current liabilities (Note 4)	73,173	1	27,480	-
21XX	Total current liabilities	3,795,592	24	3,869,277	25
Non-current liabilities					
2540	Long-term borrowings (Note 16 and 28)	1,687,500	11	1,919,000	12
2570	Deferred income tax liabilities (Note 4, 5 and 23)	1,097,675	7	1,024,106	7
2580	Non-current lease liabilities (Note 4 and 14)	7,238	-	2,955	-
2640	Net defined benefit liability – non-current (Note 4 and 19)	87,221	1	89,619	1
2645	Guarantee deposits received	12,746	-	12,795	-
25XX	Total non-current liabilities	2,892,380	19	3,048,475	20
2XXX	Total liabilities	6,687,972	43	6,917,752	45
Equity attributable to owners of the Company (Note 20)					
3110	Capital stock – common	3,978,181	25	3,978,181	26
3200	Capital surplus	145,330	1	145,330	1
Retained earnings					
3310	Legal reserve	1,536,540	10	1,488,728	10
3320	Special reserve	504,790	3	648,571	4
3350	Undistributed earnings	2,858,770	18	2,320,928	15
3300	Total retained earnings	4,900,100	31	4,458,227	29
3400	Other equity interest	(80,612)	-	(99,440)	(1)
3XXX	Total equity	8,942,999	57	8,482,298	55
Total liabilities and equity interests		\$ 15,630,971	100	\$ 15,400,050	100

The accompanying notes are an integral part of these consolidated financial statements.

Chairman: Mun-Jin Lin

Manager: Chih-I Lin

Head of accounting: Hua-Hsing Wang



San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Statement of Comprehensive Income
Years ended December 31, 2023 and 2022

Unit: Thousand NTD, EPS in NTD

Code		2023		2022	
		Amount	%	Amount	%
4000	Net operating revenues (Note 4, 21 and 27)	\$ 10,086,736	100	\$ 10,763,499	100
5000	Operating costs (Note 10 and 22)	<u>7,561,009</u>	<u>75</u>	<u>9,029,397</u>	<u>84</u>
5900	Operating margin	<u>2,525,727</u>	<u>25</u>	<u>1,734,102</u>	<u>16</u>
	Operating expenses (Note 9 and 22)				
6100	Selling expenses	543,785	5	525,236	5
6200	Administrative and general affairs expenses	667,167	7	612,360	5
6300	Research and development expenses	330,386	3	301,375	3
6450	Expected credit impairment loss (gain)	(<u>2,686</u>)	<u>-</u>	<u>1,800</u>	<u>-</u>
6000	Total operating expenses	<u>1,538,652</u>	<u>15</u>	<u>1,440,771</u>	<u>13</u>
6900	Operating net profit	<u>987,075</u>	<u>10</u>	<u>293,331</u>	<u>3</u>
	Non-operating income and expenses (Note 22)				
7100	Interest income	164,144	2	40,507	-
7010	Other income	30,834	-	91,878	1
7020	Other profits and losses	(79,183)	(1)	226,045	2
7050	Financial costs	(<u>73,793</u>)	(<u>1</u>)	(<u>56,464</u>)	<u>-</u>
7000	Total non-operating income and expenses	<u>42,002</u>	<u>-</u>	<u>301,966</u>	<u>3</u>
7900	Pre-tax profit	1,029,077	10	595,297	6
7950	Income tax expense (Note 4 and 23)	<u>268,803</u>	<u>2</u>	<u>125,183</u>	<u>1</u>
8200	Net profit for the year	<u>760,274</u>	<u>8</u>	<u>470,114</u>	<u>5</u>

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Code		2023		2022	
		Amount	%	Amount	%
	Other comprehensive income				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurements of the net defined benefit (Note 19)	(\$ 156)	-	\$ 9,253	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20)	44,512	-	1,033	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23)	10	-	(1,243)	-
		<u>44,366</u>	<u>-</u>	<u>9,043</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences arising from the translation of the financial statements of foreign operations (Note 20)	(25,684)	-	548,098	5
8300	Other consolidated income (net income after tax)	<u>18,682</u>	<u>-</u>	<u>557,141</u>	<u>5</u>
8500	Total comprehensive income	<u>\$ 778,956</u>	<u>8</u>	<u>\$ 1,027,255</u>	<u>10</u>
8600	Profit attributable to:				
8610	Owners of the company	<u>\$ 760,274</u>	<u>8</u>	<u>\$ 470,114</u>	<u>4</u>
8700	Comprehensive income attributable to:				
8710	Owners of the company	<u>\$ 778,956</u>	<u>8</u>	<u>\$ 1,027,255</u>	<u>10</u>
	EPS (Note 24)				
9750	Basic	<u>\$ 1.91</u>		<u>\$ 1.18</u>	
9850	Diluted	<u>\$ 1.90</u>		<u>\$ 1.18</u>	

The accompanying notes are an integral part of these consolidated financial statements.

Chairman: Mun-Jin Lin

Manager: Chih-I Lin

Head of accounting: Hua-Hsing Wang



San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity
Years ended December 31, 2023 and 2022

Unit: Thousand NTD

		Equity attributable to shareholders of the Company					Other equity interests		Subtotal	Total equity
		Capital stock – common	Capital surplus	Retained earnings			Exchange differences arising from the translation of the financial statements of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
Code				Legal reserve	Special reserve	Undistributed earnings				
A1	Balance as at January 1, 2022	<u>\$3,978,181</u>	<u>\$ 142,438</u>	<u>\$1,477,569</u>	<u>\$ 513,828</u>	<u>\$2,187,615</u>	<u>(\$ 676,886)</u>	<u>\$ 28,315</u>	<u>(\$ 648,571)</u>	<u>\$7,651,060</u>
	Appropriation and distribution of 2021 earnings(Note 20)									
B1	Legal reserve	-	-	11,159	-	(11,159)	-	-	-	-
B3	Allocation to special reserve	-	-	-	134,743	(134,743)	-	-	-	-
B5	Cash dividends	-	-	-	-	(198,909)	-	-	-	(198,909)
		-	-	11,159	134,743	(344,811)	-	-	-	(198,909)
C17	Dividends not collected by shareholders before the deadline	-	2,892	-	-	-	-	-	-	2,892
D1	Net profit - 2022	-	-	-	-	470,114	-	-	-	470,114
D3	Other comprehensive income after tax - 2022	-	-	-	-	8,010	548,098	1,033	549,131	557,141
D5	Total comprehensive income - 2022	-	-	-	-	478,124	548,098	1,033	549,131	1,027,255
Z1	Balance as at December 31, 2022	<u>3,978,181</u>	<u>145,330</u>	<u>1,488,728</u>	<u>648,571</u>	<u>2,320,928</u>	<u>(128,788)</u>	<u>29,348</u>	<u>(99,440)</u>	<u>8,482,298</u>
	Appropriation and distribution of 2022 earnings(Note 20)									
B1	Legal reserve	-	-	47,812	-	(47,812)	-	-	-	-
B3	Reversal of special reserve	-	-	-	(143,781)	143,781	-	-	-	-
B5	Cash dividends	-	-	-	-	(318,255)	-	-	-	(318,255)
		-	-	47,812	(143,781)	(222,286)	-	-	-	(318,255)
D1	Net profit - 2023	-	-	-	-	760,274	-	-	-	760,274
D3	Other comprehensive income after tax - 2023	-	-	-	-	(146)	(25,684)	44,512	18,828	18,682
D5	Total comprehensive income - 2023	-	-	-	-	760,128	(25,684)	44,512	18,828	778,956
Z1	Balance as at January 1, 2023	<u>\$3,978,181</u>	<u>\$ 145,330</u>	<u>\$1,536,540</u>	<u>\$ 504,790</u>	<u>\$2,858,770</u>	<u>(\$ 154,472)</u>	<u>\$ 73,860</u>	<u>(\$ 80,612)</u>	<u>\$8,942,999</u>

The accompanying notes are an integral part of these consolidated financial statements.

Chairman: Mun-Jin Lin

Manager: Chih-I Lin

Head of accounting: Hua-Hsing Wang



San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Cash Flow Statement

Years ended December 31, 2023 and 2022

Unit: Thousand NTD

Code		2023	2022
	Cash flow from operating activities		
A10000	Net profit before tax	\$ 1,029,077	\$ 595,297
A20010	Revenues and expenses		
A20100	Depreciation expense	612,217	721,035
A20200	Amortization expense	10,851	9,991
A20300	Expected credit impairment loss (gain)	(2,686)	1,800
A20400	Net losses (gains) from financial instruments at fair value through profit or loss	(6,265)	8,345
A20900	Financial costs	73,793	56,464
A21200	Interest income	(164,144)	(40,507)
A21300	Dividend income	(2,167)	(2,961)
A22500	Net losses on disposal of property, plant and equipment	3,939	84,540
A23700	Impairment loss on property, plant and equipment	67,754	-
A23800	Gain on recovery on inventory devaluation	(77,696)	(164,840)
A29900	Loss on physical inventory	8,599	4,481
A29900	Other	37,077	1,257
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	(10,120)	(3,317)
A31150	Accounts receivable	91,187	(126,452)
A31160	Accounts receivable – related parties	(21,367)	27,216
A31180	Other receivables	(64,567)	(5,623)
A31200	Inventories	557,268	520,602
A31230	Advance payments	51,655	(4,568)
A31240	Other current assets	(9,182)	5,091
A32125	Contract liabilities	8,202	(973)
A32150	Accounts payable	(116,273)	(54,461)
A32180	Other payables	92,281	90,875
A32230	Other current liabilities	5,693	99
A32240	Net defined benefit liability	(2,554)	(20,700)
A33000	Cash generated from operating activities	2,172,572	1,702,691
A33100	Interest received	136,331	30,899
A33200	Dividend received	2,167	2,961
A33300	Interest paid	(75,731)	(56,451)
A33500	Income tax paid	(86,976)	(100,991)
AAAA	Net cash inflow from operating activities	<u>2,148,363</u>	<u>1,579,109</u>

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Code		2023	2022
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(\$ 650,565)	(\$ 557,513)
B02800	Proceeds from disposal of property, plant and equipment	3,580	1,909
B03700	Increase in refundable deposits	-	(1,178)
B03800	Decrease in refundable deposits	170	-
B04500	Acquisition of intangible assets	(22,328)	-
B06500	Increase of other financial assets	(795,407)	-
B06600	Decrease of other financial assets	-	130,593
BBBB	Net cash outflow from investing activities	(<u>1,464,550</u>)	(<u>426,189</u>)
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	-	160,000
C00200	Decrease in short-term borrowings	(50,000)	-
C00500	Increase in short-term notes and bills payable	50,000	-
C00600	Decrease in short-term notes and bills payable	-	(50,000)
C01600	Increase in long-term borrowing	540,000	660,000
C01700	Repayment of long-term borrowing	(953,000)	(949,000)
C03100	Decrease in guarantee deposits received	(49)	(6,617)
C04020	Repayments of lease liabilities	(7,135)	(7,559)
C04500	Distribution of cash dividends	(318,255)	(198,909)
C09900	Returned unclaimed dividends	-	2,892
CCCC	Net cash outflow from financing activities	(<u>738,439</u>)	(<u>389,193</u>)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(<u>10,695</u>)	<u>377,308</u>
EEEE	Increase (decrease) in cash and cash equivalents	(65,321)	1,141,035
E00100	Cash and cash equivalents at beginning of period	<u>4,830,365</u>	<u>3,689,330</u>
E00200	Cash and cash equivalents at end of period	<u>\$4,765,044</u>	<u>\$4,830,365</u>

The accompanying notes are an integral part of these consolidated financial statements.

Chairman: Mun-Jin Lin

Manager: Chih-I Lin

Head of accounting: Hua-Hsing Wang



Independent Auditor's Report

To San Fang Chemical Industry Co., Ltd.:

Audit Opinion

We have audited the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes to financial statements (including a summary of major accounting policies) of San Fang Chemical Industry Co., Ltd. (hereinafter referred to as the "Company") for the years ended December 31, 2023 and 2022.

In our opinion, the standalone financial statements above were prepared, in all material aspects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and therefore are sufficient to present the financial position of the Company as at December 31, 2023 and 2022, as well as its financial performance and cash flow for the years ended December 31, 2023 and 2022.

Basis of Audit Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. We will further explain our responsibilities under the regulations in the section on the independent auditor's responsibilities relating to standalone financial statements. Personnel of our firm who are required to maintain independence according to the Code of Professional Ethics have maintained independence from the Company, and also fulfill other responsibilities set forth by the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are the most important matters in the 2023 standalone financial statements of the Company determined based on our professional judgment. We have already responded to the matters in the process of auditing the standalone financial statements and forming an audit opinion, and will not express opinions on individual matters.

Key audit matters in the 2023 standalone financial statements of the Company are as follows:

Authenticity of sales revenue

The main source of revenue of San Fang Chemical Industry Co., Ltd. is the sales of artificial leather products and the sales revenue from specific customers had increased significantly compared with the previous year. Therefore, according to the provisions of the Statement of



Auditing Standards on presetting revenue as a significant risk, the authenticity of sales revenue from such specific customers was thus listed as a key audit matter.

We have carried out the following audit procedures in response to the specific aspect described in Key Audit Matters above, including:

- I. Understanding and testing internal controls related to the authenticity of revenue recognition, including whether or not purchase order and delivery related internal controls are effective, and if sales revenue is recognized accordingly.
- II. Obtain detailed information on sales revenue of a specific customer, select appropriate samples, check shipping documents or attached customs clearance documents, etc., and check whether the amount and object of payment are consistent with the object of sales to confirm that the revenue has actually occurred.

Management and the Governance Department's Responsibility for the Standalone Financial Statements

The responsibility of management is to prepare fairly presented standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to maintain necessary internal controls related to the preparation of standalone financial statements, in order to ensure that the standalone financial statements are free of material misstatements, whether due to fraud or error.

When preparing the standalone financial statements, it is also the responsibility of management to evaluate the Company's ability to continue as a going concern, disclosures, and going concern basis of accounting, unless management intends to liquidate or permanently shut down the Company, or there are no feasible options other than liquidation or termination.

The governance department (including Audit Committee) of the Company is responsible for supervising the financial reporting process.

The Independent Auditor's Responsibility when Auditing the Standalone Financial Statements

The purpose for auditing the standalone financial statements is to obtain reasonable assurance about whether the standalone financial statements are free of material misstatement, whether due to fraud or error, and to issue an audit report. Reasonable assurance means high level of assurance. However, audits conducted according to auditing standards do not guarantee the detection of material misstatements in the standalone financial statements. Material misstatements may be due to fraud or error. A misstatement is deemed material if the individual amount or total amount can be reasonably expected to affect the economic decision made by users of the standalone financial statements.

We utilized our professional judgment and professional skepticism during the audit according to



auditing standards. We also performed the following work:

- I. Identified and evaluated material misstatements in the standalone financial statements, whether due to fraud or error. Designed and implemented appropriate countermeasures for the risks that we evaluated. Obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion. Since fraud may involve conspiracy, falsification, intentional omission, false statements, or overriding internal controls, the risk of failing to detect material misstatements due to fraud is higher than the risk of failing to detect material misstatements due to error.
- II. Designed appropriate audit procedures to gain necessary understanding of internal controls for the audit. However, the purpose is not to express any opinions on the effectiveness of the Company's internal controls.
- III. Evaluated the appropriateness of management policies adopted by management, as well as the reasonableness of accounting estimates and related disclosures.
- IV. Based on the audit evidence we obtained, we reached a conclusion on the appropriateness of management's going concern basis of accounting, and whether or not there are material uncertainties that will lead to events or situations that are cause for serious concern about the Company's ability to continue as a going concern. If we believe there are material uncertainties about such events or situations, we are required to provide a reminder in the audit report for users of the standalone financial statements to pay attention to related disclosures, or modify our audit opinion when the disclosures are inappropriate. Our conclusion is based on the audit evidence we obtained as of the audit report date. However, future events or situations may cause the Company to no longer be able to continue as a going concern.
- V. Evaluated the overall presentation, structure, and contents of the standalone financial statements (including related notes), and whether or not the standalone financial statements fairly present related transactions and events.
- VI. Obtained sufficient and appropriate audit evidence of financial information on the Company, and expressed our opinion on the standalone financial statements. We are responsible for guidance, supervision, and implementation of the audit, and for forming an audit opinion on the Company.

Matters we communicated with the governance department include the scope and time of the audit, as well as major findings in the audit (including significant deficiencies in internal control identified in the audit process).

We also provided the governance department with a statement that personnel of our firm who are



required to maintain independence according to the Code of Professional Ethics have maintained independence, and communicated all relationships and other matters (including related preventive measures) that may affect the independence of auditors with the governance department.

Among the matters we communicated with the governance department, we decided on key audit matters in the 2023 standalone consolidated financial statements of the Company. The matters are described in the audit report, unless they are specifically prohibited by law from being disclosed, or, under extremely rare circumstances, we decided not to disclose the matters in the audit report because the negative impact can reasonably be expected to be greater than the public benefit it will provide.

Deloitte Taiwan

CPA Chiu-Yen Wu

CPA Yu-Hsiang Liu

Securities and Futures Commission

Approval No.

Tai-Cai-Zheng(6)-Zi No. 0920123784

Financial Supervisory Commission Approval

No.

Jin-Guan-Zheng-Shen-Zi No. 1050024633

March 6, 2024



San Fang Chemical Industry Co., Ltd.
Balance Sheet
December 31, 2023 and 2022

Unit: Thousand NTD

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 1,119,173	8	\$ 1,560,873	10
1110	Current financial assets at fair value through profit or loss (Note 4 and 7)	100,589	1	94,324	1
1150	Net notes receivable (Note 4 and 9)	24,507	-	14,387	-
1170	Net accounts receivable (Note 4 and 9)	611,828	4	704,915	5
1180	Net accounts receivable – related parties (Note 4, 9 and 27)	272,531	2	313,954	2
1200	Net other receivables (Note 4)	25,427	-	14,617	-
1210	Other receivables - related parties (Note 27)	165,724	1	223,527	1
130X	Inventories (Note 4, 5 and 10)	1,062,967	7	1,320,929	9
1410	Advance payments	60,184	-	84,600	1
1476	Other financial assets – current (Note 11)	347,799	2	-	-
1479	Other current assets	7,226	-	9,051	-
11XX	Total current assets	3,797,955	25	4,341,177	29
	Non-current assets				
1517	Non-current financial assets at fair value through other comprehensive income (Note 4 and 8)	89,234	-	57,215	-
1550	Investments recognized under the equity method (Note 4 and 12)	7,445,232	50	6,701,060	45
1600	Property, plant and equipment (Note 4, 13 and 28)	2,810,339	19	3,035,110	20
1755	Right-of-use assets (Note 4 and 14)	8,242	-	6,650	-
1760	Investment properties (Note 4, 15 and 28)	109,189	1	110,056	1
1801	Computer software – net (Note 4)	8,731	-	17,301	-
1840	Deferred income tax assets (Note 4 and 23)	92,853	1	81,172	1
1915	Advance payments for equipment	-	-	10,873	-
1920	Refundable deposits	12,632	-	12,782	-
1980	Other financial assets – noncurrent (Note 4 and 11)	604,889	4	595,350	4
15XX	Total non-current assets	11,181,341	75	10,627,569	71
1XXX	Total assets	\$ 14,979,296	100	\$ 14,968,746	100
	Liabilities and equity interests				
	Current liabilities				
2100	Short-term borrowing (Note 16 and 28)	\$ 1,460,000	10	\$ 1,530,000	10
2110	Short-term notes and bills payable (Note 16)	49,967	-	-	-
2130	Current contract liabilities (Note 4 and 21)	12,237	-	2,558	-
2170	Accounts payable (Note 17)	338,793	2	459,103	3
2180	Accounts payable - related parties (Note 17 and 27)	29,703	-	28,138	-
2219	Other payables (Note 18)	408,842	3	327,605	2
2220	Other payables - related parties (Note 18 and 27)	90,362	1	88,144	1
2230	Current income tax liabilities (Note 23)	70,982	1	106,765	1
2280	Current lease liabilities (Note 4 and 14)	4,588	-	3,838	-
2320	Current portion of long-term liabilities (Note 16 and 28)	727,500	5	915,000	6
2399	Other current liabilities (Note 4)	68,134	-	19,956	-
21XX	Total current liabilities	3,261,108	22	3,481,107	23
	Non-current liabilities				
2540	Long-term borrowings (Note 16 and 28)	1,612,500	11	1,900,000	13
2570	Deferred income tax liabilities (Note 4, 5 and 23)	1,087,074	7	1,024,106	7
2580	Non-current lease liabilities (Note 4 and 14)	3,645	-	2,829	-
2640	Net defined benefit liability (Note 4 and 19)	67,952	-	74,388	-
2645	Guarantee deposits received	4,018	-	4,018	-
25XX	Total non-current liabilities	2,775,189	18	3,005,341	20
2XXX	Total liabilities	6,036,297	40	6,486,448	43
	Equity (Note 20)				
3110	Capital stock – common	3,978,181	27	3,978,181	27
3200	Capital surplus	145,330	1	145,330	1
	Retained earnings				
3310	Legal reserve	1,536,540	10	1,488,728	10
3320	Special reserve	504,790	4	648,571	4
3350	Undistributed earnings	2,858,770	19	2,320,928	16
3300	Total retained earnings	4,900,100	33	4,458,227	30
3400	Other equity interest	(80,612)	(1)	(99,440)	(1)
3XXX	Total equity	8,942,999	60	8,482,298	57
	Total liabilities and equity interests	\$ 14,979,296	100	\$ 14,968,746	100

The accompanying notes are an integral part of these financial statements.

Chairman: Mun-Jin Lin

Manager: Chih-I Lin

Head of accounting: Hua-Hsing Wang



San Fang Chemical Industry Co., Ltd.
Statement of Comprehensive Income
Years ended December 31, 2023 and 2022

		Unit: Thousand NTD, EPS in NTD			
Code		2023		2022	
		Amount	%	Amount	%
4000	Net operating revenues (Note 4, 21 and 27)	\$7,586,555	100	\$8,941,654	100
5000	Operating costs (Note 10, 22 and 27)	<u>6,458,228</u>	<u>85</u>	<u>7,669,714</u>	<u>86</u>
5900	Operating margin	1,128,327	15	1,271,940	14
5910	Realized (and unrealized) gains from subsidiaries	<u>63,815</u>	<u>1</u>	(<u>49,165</u>)	<u>-</u>
5950	Realized operating margin	<u>1,192,142</u>	<u>16</u>	<u>1,222,775</u>	<u>14</u>
	Operating expenses (Notes 9, 22 and 27)				
6100	Selling expenses	320,439	4	296,265	3
6200	Administrative expenses	397,252	5	320,523	4
6300	Research and development expenses	248,875	4	227,555	3
6450	Expected credit impairment loss (gain)	(<u>2,379</u>)	<u>-</u>	<u>1,836</u>	<u>-</u>
6000	Total operating expenses	<u>964,187</u>	<u>13</u>	<u>846,179</u>	<u>10</u>
6900	Operating net profit	<u>227,955</u>	<u>3</u>	<u>376,596</u>	<u>4</u>
	Non-operating income and expenses (Note 22 and 27)				
7100	Interest income	58,772	1	10,357	-
7010	Other income	47,656	1	83,565	1
7020	Other profits and losses	(62,778)	(1)	183,405	2
7050	Financial costs	(72,248)	(1)	(55,692)	(1)
7070	Share of profits (losses) of subsidiaries accounted for using equity method	<u>701,351</u>	<u>9</u>	(<u>23,003</u>)	<u>-</u>
7000	Total non-operating income and expenses	<u>672,753</u>	<u>9</u>	<u>198,632</u>	<u>2</u>

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Code		2023		2022	
		Amount	%	Amount	%
7900	Pre-tax profit	\$ 900,708	12	\$ 575,228	6
7950	Income tax expense (Note 4 and 23)	<u>140,434</u>	<u>2</u>	<u>105,114</u>	<u>1</u>
8200	Net profit for the year	<u>760,274</u>	<u>10</u>	<u>470,114</u>	<u>5</u>
	Other comprehensive income				
	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurements of the net defined benefit (Note 19)	(52)	-	6,215	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20)	32,019	-	202	-
8330	Share of other comprehensive income of subsidiaries accounted for using equity method	12,389	-	3,869	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23)	<u>10</u>	<u>-</u>	(<u>1,243</u>)	<u>-</u>
8310		<u>44,366</u>	<u>-</u>	<u>9,043</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8380	Share of other comprehensive income of subsidiaries accounted for using equity method (Note 20)	(<u>25,684</u>)	<u>-</u>	<u>548,098</u>	<u>6</u>
8300	Other consolidated income (net income after tax)	<u>18,682</u>	<u>-</u>	<u>557,141</u>	<u>6</u>
8500	Total comprehensive income	<u>\$ 778,956</u>	<u>10</u>	<u>\$1,027,255</u>	<u>11</u>
	EPS (Note 24)				
9710	Basic	<u>\$ 1.91</u>		<u>\$ 1.18</u>	
9810	Diluted	<u>\$ 1.90</u>		<u>\$ 1.18</u>	

The accompanying notes are an integral part of these financial statements.

Chairman: Mun-Jin Lin

Manager: Chih-I Lin

Head of accounting: Hua-Hsing Wang



San Fang Chemical Industry Co., Ltd.
Statement of Changes in Equity
Years ended December 31, 2023 and 2022

Unit: Thousand NTD

Code		Capital stock – common	Capital surplus	Retained earnings			Other equity interests		Subtotal	Total equity
				Legal reserve	Special reserve	Undistributed earnings	Exchange differences arising from the translation of the financial statements of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
A1	Balance as at January 1, 2022	<u>\$3,978,181</u>	<u>\$ 142,438</u>	<u>\$1,477,569</u>	<u>\$ 513,828</u>	<u>\$2,187,615</u>	<u>(\$ 676,886)</u>	<u>\$ 28,315</u>	<u>(\$ 648,571)</u>	<u>\$7,651,060</u>
	Appropriation and distribution of 2021 earnings (Note 20)									
B1	Legal reserve	-	-	11,159	-	(11,159)	-	-	-	-
B3	Allocation to special reserve	-	-	-	134,743	(134,743)	-	-	-	-
B5	Cash dividends	-	-	-	-	(198,909)	-	-	-	(198,909)
		-	-	11,159	134,743	(344,811)	-	-	-	(198,909)
C17	Dividends not collected by shareholders before the deadline	-	2,892	-	-	-	-	-	-	2,892
D1	Net profit - 2022	-	-	-	-	470,114	-	-	-	470,114
D3	Other comprehensive income after tax - 2022	-	-	-	-	8,010	548,098	1,033	549,131	557,141
D5	Total comprehensive income - 2022	-	-	-	-	478,124	548,098	1,033	549,131	1,027,255
Z1	Balance as at December 31, 2022	<u>3,978,181</u>	<u>145,330</u>	<u>1,488,728</u>	<u>648,571</u>	<u>2,320,928</u>	<u>(128,788)</u>	<u>29,348</u>	<u>(99,440)</u>	<u>8,482,298</u>
	Appropriation and distribution of 2022 earnings (Note 20)									
B1	Legal reserve	-	-	47,812	-	(47,812)	-	-	-	-
B3	Reversal of special reserve	-	-	-	(143,781)	143,781	-	-	-	-
B5	Cash dividends	-	-	-	-	(318,255)	-	-	-	(318,255)
		-	-	47,812	(143,781)	(222,286)	-	-	-	(318,255)
D1	Net profit - 2023	-	-	-	-	760,274	-	-	-	760,274
D3	Other comprehensive income after tax - 2023	-	-	-	-	(146)	(25,684)	44,512	18,828	18,682
D5	Total comprehensive income - 2023	-	-	-	-	760,128	(25,684)	44,512	18,828	778,956
Z1	Balance as at December 1, 2023	<u>\$3,978,181</u>	<u>\$ 145,330</u>	<u>\$1,536,540</u>	<u>\$ 504,790</u>	<u>\$2,858,770</u>	<u>(\$ 154,472)</u>	<u>\$ 73,860</u>	<u>(\$ 80,612)</u>	<u>\$8,942,999</u>

The accompanying notes are an integral part of these financial statements.

Chairman: Mun-Jin Lin

Manager: Chih-I Lin

Head of accounting: Hua-Hsing Wang



San Fang Chemical Industry Co., Ltd.

Cash Flow Statement

Years ended December 31, 2023 and 2022

Unit: Thousand NTD

Code		2023	2022
	Cash flow from operating activities		
A10000	Net profit before tax	\$ 900,708	\$ 575,228
A20010	Revenues and expenses		
A20100	Depreciation expense	319,604	367,427
A20200	Amortization expense	9,150	9,817
A20300	Expected credit impairment loss (gain)	(2,379)	1,836
A20400	Net losses (gains) from financial instruments at fair value through profit or loss	(6,265)	8,345
A20900	Financial costs	72,248	55,692
A21200	Interest income	(58,772)	(10,357)
A21300	Dividend income	(1,639)	(2,300)
A22400	Share of profits (losses) of subsidiaries accounted for using equity method	(701,351)	23,003
A22500	Net losses (gains) on disposal of property, plant and equipment	(616)	84,840
A23700	Impairment loss on property, plant and equipment	67,754	-
A23800	Gain on recovery on inventory devaluation	(56,995)	(104,781)
A24100	Realized (and unrealized) gains from subsidiaries	(63,815)	49,165
A29900	Loss (profit) on physical inventory	3,891	(595)
A29900	Other	40,000	-
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	(10,120)	(3,378)
A31150	Accounts receivable	95,466	(116,826)
A31160	Accounts receivable – related parties	41,423	110,396
A31180	Other receivables	(1,655)	1,451
A31190	Other receivables - related parties	58,040	82,574
A31200	Inventories	311,066	359,801
A31230	Advance payments	24,416	43,759
A31240	Other current assets	1,825	(3,031)
A32125	Contract liabilities	9,679	343
A32150	Accounts payable	(120,310)	(37,242)
A32160	Accounts payable - related parties	1,565	11,985
A32180	Other payables	76,140	55,762
A32190	Other payables - related parties	2,218	24,083
A32230	Other current liabilities	8,178	(2,868)

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Code		2023	2022
A32240	Net defined benefit liability	(\$ 6,488)	(\$ 15,993)
A33000	Cash generated from operating activities	1,012,966	1,568,136
A33100	Interest received	49,380	9,445
A33200	Dividend received	9,338	14,310
A33300	Interest paid	(74,067)	(55,620)
A33500	Income tax paid	(124,920)	(77,810)
AAAA	Net cash inflow from operating activities	<u>872,697</u>	<u>1,458,461</u>
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(140,062)	(124,208)
B04300	Other receivables - increase of related parties	(100,000)	(100,000)
B04400	Other receivables - decrease of related parties	100,000	-
B02800	Proceeds from disposal of property, plant and equipment	1,340	285
B03800	Decrease in refundable deposits	150	-
B04500	Acquisition of intangible assets	(580)	-
B06500	Increase of other financial assets	(357,338)	(58,740)
BBBB	Net cash outflow from investing activities	<u>(496,490)</u>	<u>(282,663)</u>
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	-	160,000
C00200	Decrease in short-term borrowings	(70,000)	-
C00500	Increase in short-term notes and bills payable	50,000	-
C00600	Decrease in short-term notes and bills payable	-	(50,000)
C01600	Increase in long-term borrowing	440,000	660,000
C01700	Repayment of long-term borrowing	(915,000)	(935,000)
C03100	Decrease in guarantee deposits received	-	(4,494)
C04020	Repayments of lease liabilities	(4,652)	(5,157)
C04500	Distribution of cash dividends	(318,255)	(198,909)
C09900	Returned unclaimed dividends	-	2,892
CCCC	Net cash outflow from financing activities	<u>(817,907)</u>	<u>(370,668)</u>
EEEE	Increase (decrease) in cash and cash equivalents	(441,700)	805,130
E00100	Cash and cash equivalents at beginning of period	<u>1,560,873</u>	<u>755,743</u>
E00200	Cash and cash equivalents at end of period	<u>\$1,119,173</u>	<u>\$1,560,873</u>

The accompanying notes are an integral part of these financial statements.

Chairman: Mun-Jin Lin

Manager: Chih-I Lin

Head of accounting: Hua-Hsing Wang



Appendix 2

SAN FANG CHEMICAL INDUSTRY CO.,LTD.

2023 Earnings Distribution Table

Unit:NTD	
Item	Amount
Beginning unappropriated retained earnings	\$2,098,642,909
Add: Post-tax net income for the Current Year	\$760,273,392
Add: Remeasurement of defined benefit plans recognized in retained earnings	(145,547)
Net income after tax for the current period and other profit items included in undistributed earnings in the current year	760,127,845
Subtract: legal reserve (net income after tax 10%)	(76,012,785)
Retained earnings available for distribution in this period	2,782,757,969
Distribution items :	
Shareholders' dividend - cash dividend (NT\$ 1.5 per share)	(596,727,189)
Unappropriated retained earnings	2,186,030,780

Remark: The Shareholders' cash dividend was distributed at 2023 surplus of \$596,727,189

Chairman :



Manager :



Chief Accountant :





Appendix 3

SAN FANG CHEMICAL INDUSTRY CO., LTD.

Audit Committee' s Review Report

The Board of Directors has prepared and submitted the Company' s 2023business report and financial statements. Commissioned by the Board of Directors, the CPA firm Deloitte& Touch, Chiu-Yen Wu and Yu-Hsiang Liu have audited the financial statements and issued an audit report relating to the Financial Statements.

These have been reviewed by the Audit Committee as conforming to relevant laws and regulations. In accordance with Article 14-4 of the Securities and Exchange Act and Article219 of the Company Act, we hereby submit this Report.

To:

2024 Annual General Shareholders' Meeting of SAN FANG CHEMICAL CO., LTD.

Audit Committee convener: : Li-Syuan ,Lin

Date : March 8, 2024